



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

THE COMPETITIVE SITUATION IN SOUTH AMERICAN TRADE

JULIUS KLEIN

THE acute South American aspects of the present world-wide depression have raised in the minds of American exporters a number of anxious queries regarding the status of our European and other competitors in the southern markets. Doubts are being expressed as to our ability to retain those parts of British trade which we took over during the war. Fears are entertained as to Germany's recuperation in that region, and as to the intrusion of such newcomers as Japan, the Scandinavian countries, and even the larger Latin American republics which have begun to exploit each other's markets at a modest but steadily increasing rate. As a climax to the whole situation the premium on the dollar in each of the more important southern capitals has persisted at abnormally high figures, thus giving to European exporters an advantage which those in certain lines, such as ribbons, wire, and galvanized iron, have been recently capitalizing in considerable amounts.

The problem of appraising the competitive possibilities of our more important rivals in South American trade involves of course a review of their commerce with that continent in the recent past as a partial basis for an identification of their fields of special interest and of our incursions into their markets. One other important factor which is being all too frequently ignored by many American exporters, is the transformation which the war has wrought in the import requirements of the southern markets. In spite of the radical economic changes in Europe and the United States since 1914, many of the northern exporters from both sides of the Atlantic are returning to their South American markets with the expectation of finding buying conditions there very much as they were in 1913. This assumption ignores entirely the present widespread determination in practically all of the South American countries to make permanent a considerable portion of their new war-born industries. Ample evidence of this intention can be found in the shape of readjusted protective tariff programs, corporation and income tax inducements, and active preparations for the exploitation of hitherto untouched hydroelectric power projects and petroleum fields. The effects of these new developments upon the commercial situation are already apparent, as will be indicated below; their most significant bearing is upon the relative standing of the various competitors who are now trying to secure or to retain footholds in those markets. That standing will be determined very largely by the agility and resourcefulness displayed by the rival merchants in anticipating and meeting these fundamental industrial changes in South America.

Great Britain is obviously the most formidable of our competitors and the effects of any actual or potential

industrial transformations in the southern republics upon her trade are therefore significant. The recent history of her important coal trade with Chile illustrates this point. The changing of the nitrate industry from a coal-burning to a petroleum-burning basis during the past six years has greatly reduced and will ultimately practically eliminate the importation into Chile of the commodity which had for many years before the war made up not less than 30 per cent and frequently more than 40 per cent of Britain's total exports to that country. Table I shows the decline of Chilean coal imports since 1913 and the acquisition of a part of the British trade by the United States. The curtailment of

TABLE I. — CHILEAN COAL IMPORTS, 1913-20

(Thousands of metric tons)

Country of origin	1913	1914	1915	1916	1917	1918	1919	1920
England	924	527	201	163	72	9	7	6
United States	99	143	51	165	288	300	94	360
Australia . . .	457	517	155	74	45	*	*	*
All other . . .	59	69	2	4	1	*	*	*
Totals	1,540	1,257	411	407	406	*	*	*

* Not available. English and American figures for 1920 are estimates based upon totals for ten months, January-October.

shipping during the war undoubtedly had some influence upon this trade, but after the elimination of Von Spee's fleet the shortage of bottoms on the west coast was not so serious as in other South American waters, because of the efforts made by the Allies during the latter half of the war to provide ample tonnage for the removal of nitrates from northern Chile. The substitution of petroleum for coal since 1913 is clearly shown in Table II. A further factor in the Chilean fuel situation

TABLE II. — CHILEAN CRUDE PETROLEUM IMPORTS, 1913-17

(Thousands of metric tons)

Country of origin	1913	1914	1915	1916	1917
United States	319	374	241	587	282
Peru	82	135	73	113	52
Mexico	...	...	24	54	422
All other	...	...	...	...	3
	402	509	339	755	760

NOTE.—American figures for the fiscal years 1918-20 show an increase of exports of refined fuel oil to Chile from 30,879,655 gals. in 1918 to 58,379,965 in 1920.

is the recent stimulation of hydroelectric projects of which the plans for the electrification of an important part of the state railways is an evidence. Furthermore, the termination of the present financial stringency will bring about the inauguration of at least two large undertakings of this type in connection with irrigation works. The situation in Argentina, Uruguay, and Brazil is similar to that in Chile, so far as the British

coal trade losses and the American gains are concerned (Table III).

TABLE III. — COAL EXPORTS
(Thousands of tons)

To	From the United Kingdom			From the United States		
	1909-13*	1919	1920	1910-14*	1919	1920
Argentina...	3,129	639	270	78	483	1,800
Brazil.....	1,604	189	160	185	634	960
Uruguay....	895	185	125	21	195	276
	5,628	1,013	555	284	1,312	3,036

* Annual average. In the case of the United States, the 1910-14 figures are based on fiscal years ending June 30. The years 1919 and 1920 are calendar periods, the figures for the latter being estimated on the basis of ten months, January-October.

The competition of hydroelectric power will likewise affect the coal trade on the east coast, especially in Brazil where such industrial centers as Rio de Janeiro and Sao Paulo have, within the past ten years, been very largely converted from coal-burning to hydroelectric power consumption. As in Chile, the Atlantic coast countries have been rapidly increasing their imports of petroleum, especially from Mexico. Brazilian import of fuel oil rose from 61,465 metric tons in 1915 to 161,423 tons in 1919. The Argentine figures for this commodity were reclassified during the war, so that a comparative estimate of recent imports of Argentina cannot be made, but some idea of the rate of increase of her consumption of crude oil is given by the fact that the imports of that fuel from the United States increased 51 per cent from 1918 to 1920. And as the rich oil fields along the eastern slope of the Andes are opened up in the immediate future, the fuel imports of these countries will undergo further modifications.

Britain's South American coal trade was one of the first things to be sacrificed in carrying out her war program of drastic trade curtailments. American exporters then came to the fore in this traffic, but it should be noted that they were already making headway in the largest South American fuel market, Argentina, before the war began. It should also be noted that, even though the trade was one of the two or three most important lines of pre-war British trade with South America, there has been practically no effective effort made by British coal exporters during the past two years to regain their lost supremacy. The explanation lies chiefly in the labor difficulties of the industry in Wales which explain in part the higher cost of coal f.o.b. Cardiff as compared with American costs.

The significant features of the competitive situation in this important trade are, then, that Britain has lost control of a traffic which has been especially valued as a freight-payer for more costly cargoes, and that the South American fuel requirements are undergoing important changes which will affect all imports in this category as well as many other lines of goods which have been and are being shipped in coal freighters.

The trade in coal and possibly that in certain lines of metal wares, such as tin plate, are the only important fields in which the war brought about a clear transfer of supremacy in the southern markets from the United

Kingdom to the United States. And even in these lines sharp competition between the two rivals was in evidence before 1913, so that the war accentuated but did not cause this change. In practically all other commodities, however, Britain was either able to continue her dominant position during the war — as was the case in cotton piece goods — or, if compelled to abandon the field, her place was simply left vacant and still awaits her return. In other words, so far as American competition with Great Britain is concerned, American exporters took advantage of British war-time elimination in the traffic in but one major commodity, namely, coal. In another leading trade, that in iron and steel, Britain lost and America gained, but the case was not one of a clear transfer from one to the other as was noted in the coal trade. The American ascendancy was won, as will be shown later, in part from Germany. Table IV shows the British and American status:

TABLE IV. — EXPORTS OF IRON AND STEEL TO
SOUTH AMERICA *

(Average per month in thousands of tons)

	1913	1919	1920 (1st quar.)
United Kingdom	27.5	3.5	7.5
United States	22.8	43.4	44.4

* From *London Times Trade Supplement*, Iron and Steel Section, July 31, 1920, compiled by M. S. Birkett.

Subsequent figures for the later months of 1920 confirm the impression given by the above table that Britain's recovery of her pre-war share of this important trade is likely to be a very slow process.

In fact, if we omit coal, tin plate, and a few minor iron and steel products practically all gains made by the United States in South American markets since 1914 were won, not at the expense of British exporters, but from one or more of the following sources: (1) newly created exports not hitherto known extensively in South America (automobiles, motion picture supplies, office appliances, equipment for war-born native industries, etc.); (2) extensions of trades previously dominated by the United States (agricultural machinery, petroleum products, patented apparatus such as typewriters, etc.); (3) lines previously handled by Continental European competitors, especially Austria, Italy, Belgium, and Germany. A few illustrations of this are given in Table V which gives figures of war-time trade of the largest South American import market, namely Argentina.

Table V represents the situation in what is perhaps the most lucrative and certainly the most competitive market in South America. In each of the trades indicated American predominance was gained from some Continental competitor. From Italy and Holland we acquired the rice trade, though the recent progress of Brazil in this traffic indicates that the east coast will soon be supplied by that country. Austria and Germany were displaced in the case of refined sugar, though here again we are being crowded out by the rapidly expanding sugar industry of Argentina and her neighbors. American exporters supplanted the Ger-

TABLE V. — IMPORTS INTO ARGENTINA, 1913 AND 1917
(Thousands of metric tons)

From	Cleaned rice ^a		Refined sugar ^b		Newsprint ^c		Cotton stockings ^d		Lead in ingots and sheets ^e		Steel in bars and sheets ^f		Iron wheels and axles		Steel fish plates		Electro-plated ware		Iron in pigs and sheets	
	1913	1917	1913	1917	1913	1917	1913	1917	1913	1917	1913	1917	1913	1917	1913	1917	1913	1917	1913	1917
United Kingdom ^g	4.7	.6	...	...	...	...	.016	.011	2.07	.34	5.67	.18	10.3	.07	5.0	..	.02	.01	.02	..
United States....	..	16.5	...	78.2	11.0	21.5	.001	.416	.16	.93	.20	1.02	4.0	..	2.3	..	.01	.06	.01	.03
Germany	..	...	15.7	...	10.6	...	.677	...	.20	..	.38	...	1.3	..	3.3	.03	.19	..	.08	..
France.....	..	...	5.2	.2	...	...	...	...	.37	..	...	...	...	..	..	..	.04	.01	..	..

a. Imports from Italy fell from 21.4 to .2 and from Holland from 10.8 to nothing while imports from Brazil increased from nothing to 10.7 thousand metric tons and from Japan from nothing to 5.6 thousand tons between 1913 and 1917.

b. Imports from Austria-Hungary fell from 28.6 to nothing while those from Uruguay increased from nothing to 13.4 thousand tons.

c. Imports from Norway and Sweden fell from 8.5 to 7.2 thousand tons.

d. Imports from Spain increased from .019 to .219 thousand tons.

e. Imports from Spain decreased from 5.35 to 3.88 and from Sweden from .27 to .10 thousand tons.

f. Imports from Spain fell from .28 thousand tons in 1913 to nothing in 1917.

g. Including British possessions in the case of cleaned rice.

mans in the case of newsprint and cotton stockings, as well as in other lines not mentioned here, such as writing paper, wire, electrical supplies, and printed and dyed cotton goods. In none of these trades were there any considerable incursions by the United States into British commercial preserves, and in the cases of the important metal trades where Britain lost, the American gains were on a far smaller scale than the British losses and were evidently made at the expense of Continental competitors. In fact so far as Argentine imports are concerned there is only one clear case of a transfer of predominance from the United Kingdom to the United States, namely in tin plate in which the task of supplying the Argentine-American meat packing plants in their war work was taken over by American exporters; and in view of the present strength of that industry in the United States it is unlikely that this trade will again change hands. There were two other competitive lines in the Argentine markets in which the United Kingdom lost ground and the United States gained during the years 1913-18, namely barb wire and lead ingots and sheets. In both of these, however, the American gains were quite as much at the expense of Germany in the former case and of Spain in the latter, as they were at the cost of Britain.

Furthermore, it should be borne in mind that the markets for several important commodities in which the United Kingdom was unable for war reasons to maintain her flow of exports, were simply allowed to remain untouched during the war period and no attempt was made by the United States to take advantage of the situation. This was true especially in the larger countries, in the field of railway supplies and rolling stock, and of electrical equipment for public utilities in which American exporters made some gains but not nearly enough to fill the deficiency left by the elimination of the United Kingdom and Germany. In these trades the heavy British investments in Latin America, amounting to over \$5,500,000,000 will exert a powerful influence in the future as they have in the past. The British Board of Trade recently estimated that England's invisible exports for 1920 totaled at least 640,-

000,000 pounds sterling of which a large part found its way to South America in connection with investments, shipping, insurance, and other services which so vitally affect the distribution of exports. Although American investments in this field have been growing very rapidly it is doubtful if they amount to more than a fifth of the British total. Then too, American exporters have been able to make no considerable headway in a number of trades which have always been British specialties, such as jute bagging, malt and other brewer's supplies, and woolen goods, for all of which there is a large demand in South America and consequently an unobstructed opportunity for the renewal of British trade.

It should also be noted that in several commodities the trade of both of these great competitors declined in South America during the war period. For example, in such a highly competitive line as shoes the American shipments to the River Plate and Chile at the close of the war were about a third of the amounts exported in 1913, while the British exports of the same commodity were cut to less than one-fifth of their pre-war proportions. Both countries suffered at about an equal rate in the case of furniture exports and to a modified extent, so far as the River Plate countries were concerned, in the case of steel rails and wrought iron. It may be interesting to note that in two important instances the war brought about a serious curtailment of exports of American specialties to southern South America, namely cotton seed oil and sewing machines, in both of which our trade in this region has continued to decline during the years since the armistice.

In contrast with the above trades, however, the traffic in cotton piece goods, which has normally been by far the largest single item in the imports of most South American countries and has long been the great staple of British export trade, became the object of especial attention from British merchants and their government during the war. Every effort was made to sustain the high export figures in this vital trade and the extent to which this object was attained is evident from Table VI. The sharp declines in 1919 were by no means

TABLE VI. — EXPORTS OF COTTON PIECE GOODS
FROM THE UNITED KINGDOM

(Millions of yards)

Destination	1913	1915	1916	1917	1918	1919	1920
Argentina	199.1	121.7	195.7	172.5	183.0	107.7	166.2
Bolivia	5.3	1.3	3.3	6.9	11.4	*	*
Brazil	96.5	38.1	66.4	58.3	52.0	32.1	40.8
Chile	61.7	28.7	71.6	60.1	58.8	21.0	28.8
Colombia & Panama	79.8	42.6	62.1	44.5	28.3	30.1	60.6
Ecuador	16.5	19.4	13.6	17.8	7.4	*	*
Peru	28.8	10.3	15.3	22.1	17.7	7.7	13.8
Uruguay	38.1	17.8	31.2	31.6	29.8	16.0	18.6
Venezuela	34.7	25.0	40.2	40.9	36.8	31.7	39.0

* Not available. Figures for 1920 are estimated on the basis of ten months, January–October.

confined to British trade but were due to generally retarded buying; and the shipments for 1920 give promise of an early return to pre-war figures. British exporters therefore continued to hold about the same percentage of the trade in the larger South American markets at the end of the war as they did in 1913. To Argentina, for example, the United Kingdom was supplying 47 per cent of all piece goods imported in 1913, and 53 per cent in 1918; in Uruguay the proportions of British imports for the same years were 59 per cent and 57.6 per cent respectively; while in Peru the British share of the trade in this commodity was constant throughout the war at about 55 per cent. In the smaller markets of Venezuela, Colombia, and Ecuador, however, American textile exporters made rapid headway during the war, as is shown in the table below, and by 1918 had taken over the major portion of this trade. They are so strongly entrenched there that even the temporary British advantage in exchange is not likely to endanger their position. Throughout the southern continent the American cotton textile trade made some gains especially at the expense of Italy, Switzerland, Spain and Germany. This was particularly the case in Argentina where our share in this traffic rose from 0.9 per cent in 1913 to 18 per cent in 1918, and in Uruguay, where the increase was from 0.6 per cent to 10 per cent in the same period. These improvements in the relative position of American trade were evidently not gained at the expense of the United Kingdom, nor did they result in any considerable improvement in the gross totals of American exports to the countries in question. The contrasts between the strength of American textile exporters in the northern republics and their present losses in the much larger markets farther south is brought out by Table VII.

On the basis of the facts stated above, it may be concluded that the situation of British trade in Latin America as a whole is by no means unpromising, though there is no apparent prospect of its regaining first place. It should, in fact, be recalled by those who suggest the probability of her return to primacy in this trade that she was second to the United States before the war. In

TABLE VII. — EXPORTS OF COTTON PIECE GOODS FROM THE
UNITED STATES *

(Millions of yards; fiscal years ending June 30)

Destination	1918	1919	1920
Argentina	49.1	53.9	27.8
Brazil	13.5	14.1	9.7
Chile	31.5	25.2	16.2
Colombia	11.0	10.8	97.7
Venezuela	3.0	2.4	23.2
Rest of South America	28.3	22.2	56.4

* Brazilian figures omit unbleached goods; those for Colombia omit goods dyed in the piece; and those of Venezuela omit bleached and printed goods.

1913 nearly 25 per cent of Latin America's imports came from the United States, while 23.7 per cent were supplied by the United Kingdom, and 16.5 per cent by Germany. Since the end of the war, the proportion coming from the United States has passed the 60 per cent mark whereas the British share has fallen to about 14 per cent.

The promptness of the British return on a larger scale to Latin American markets is of course conditioned by the rapidity with which industrial rehabilitation takes place in England, a subject which, for obvious reasons, cannot be taken up in the present paper. It should also be noted that British interest in overseas trade has been shifted to a considerable extent from the Latin American countries to Continental Europe.

Table VIII portrays clearly the war-time transfer of British export energies from Latin America and other outlying markets to Europe during the war period. The past year has, however, brought indications of the gradual restoration of the pre-war distribution of foreign trade. It would appear that by the summer of 1921 the Latin American phase of the British export campaign should be receiving its normal, pre-war share of British commercial interest. The southern republics will then be buying nearly as many English wares as the United States and Canada put together.

When that time comes, however, the totals of American exports are not likely to suffer seriously, though the present wide margin between the percentages of Latin American imports supplied by the two countries will undoubtedly be cut down. The two great advantages which British exporters enjoyed in Latin America before the war have not been seriously impaired. First, British investments are still widely predominant and, so far as South America is concerned, will probably continue to be so for years to come. Secondly, the fundamental economic differences between the United Kingdom, on the one hand, and the Latin American republics on the other, insure a continuation of a heavy, two-way traffic which resolves foreign trade into its simplest aspect, namely an exchange of goods, and secures for the exporter greatly reduced costs in handling and transportation. Since the war there have been evidences of the enjoyment of both of these advantages by American commercial interests in South America, but upon a much more moderate scale than is the case with their British competitors. American investments are in-

TABLE VIII. — PERCENTAGE DISTRIBUTION BY DESTINATION OF THE TOTAL EXPORTS FROM THE UNITED KINGDOM

Destination	1913	1919 (BY QUARTERS)				1920 (BY QUARTERS)	
		1st	2d	3d	4th	1st	2d
Continental Europe	38.56	55.28	64.74	62.54	57.88	51.70	42.94
Middle and Far East	24.18	16.25	14.31	15.95	19.30	20.31	25.41
Australasia and Pacific Islands	8.69	6.09	5.16	3.75	3.75	4.45	6.04
Africa	6.98	7.85	5.13	4.46	4.98	6.35	6.86
Canada	4.70	2.26	1.69	1.84	2.46	2.65	4.05
United States	5.58	3.40	2.98	4.88	5.14	7.09	6.24
Latin America	11.31	8.87	5.99	6.58	6.49	7.45	8.36

creasing steadily, notably in Chile, Bolivia, Brazil, and Colombia. While the similarities between the products of temperate South America and of the United States might stand in the way of the development of any extensive two-way traffic, the possible solution of the difficulty by various triangular routings of shipping has by no means been overlooked.

Another advantage once exclusively British but now being enjoyed, to a limited extent, by the United States is the development of our reëxport trade in South American products, such as corn, and dried meat destined for Caribbean and Central American ports, and of casein and quebracho extract for northern Europe. The establishment of free port zones along our Atlantic seaboard will undoubtedly stimulate this traffic considerably. Then, too, the growth of our population and the encroachments of middle western manufacturing upon agriculture have already begun to affect the character of our imports from South America. By 1919 nearly \$2,000,000 worth of Argentine wheat was being imported annually by the United States and by 1920 the first shipments of flour began to arrive from the same country, which has, of course, been sending up shipments of beef, cheese, butter, and eggs for some time. Another important transformation in our import trade of South American raw materials, which has a direct bearing upon our ability to compete with the British, has been the rerouting of many South American exports along more direct lines than those followed previous to 1914. Bolivian tin ore, Argentine quebracho extract and furs, Brazilian skins and rubber, River Plate wools, and various tropical dye stuffs and drugs which formerly came to us by way of Europe where they served as the basis of large export credits, are now shipped directly to the United States. This change has particularly affected the strength of London as a reëxport and foreign trade financing center in South American commerce.

Any attempt to gauge the character and rapidity of Germany's return to South American markets must of necessity be largely conjectural. American and other exporters are noting evidences that she has already begun to resume her contacts with the southern markets but whether her return is to be along the paths from which she was so suddenly evicted in 1914 is a question which can be answered only with surmises. Her pre-

war share of Latin America's total imports was 16.5 per cent, which was but two-thirds of the portion that fell to the United States. The latter was rapidly increasing her percentage, whereas the two leading European competitors were steadily losing ground, with the British interests giving way more rapidly than the Germans.

Table IX brings out the distribution of German trade in South America. It is evident that Argentina seemed likely to continue for some time as Germany's leading

TABLE IX. — GERMAN EXPORTS TO SOUTH AMERICA

(Millions of dollars)

Destination	1911	1912	1913
Argentina	60.8	56.9	63.2
Brazil	36.1	45.8	47.5
Chile	20.3	26.6	23.2
Uruguay	7.8	9.1	8.5
Colombia	2.6	3.5	4.2
Peru	3.8	3.7	4.0
Bolivia	2.2	2.9	2.8
Venezuela	2.2	2.4	2.2
Ecuador	1.8	1.4	1.1
Paraguay	.5	.4	.7
	138.1	152.7	157.4

South American market, although Brazil was gaining in favor more rapidly than any other important field. One significant feature is the fact that South America as a whole was losing its relative strength in proportion to German export activities in other regions, for the totals given above for exports to South America during 1911, 1912, and 1913 were, respectively, 7.1 per cent, 7.1 per cent, and 6.5 per cent of the total German exports for those years. Another point worthy of note is the fact that German trade was concentrated so heavily in the three leading countries. Only about 15 per cent of her total South American exports found their way to the seven lesser republics of the continent; and over 40 per cent of the total went to Argentina. It has in fact been estimated that of the \$211,000,000 invested in German commercial houses throughout the whole of Latin America in 1913, nearly 26 per cent was in Argentina, an amount more than equal to that invested in a similar way in Brazil and Chile put together. It seems very probable therefore that German trade connections and hopes have survived more actively in the River Plate region than elsewhere in South America, and a prompt

resumption of trade with that area will be the first step in Germany's Latin American trade program.

The details of her export trade with her three leading South American markets as shown in Table X may also be of interest. Particularly worth noting is the fact that the greater part of these leading exports is made up of iron and steel products. Consequently the changes brought about in the coal and iron resources of Germany by the treaty of Versailles are likely to result in a marked alteration in the South American trade of that country. In fact many impartial observers have already commented upon the inferior qualities of the shipments of German iron and steel wares which have arrived in the southern markets during the past year. The likelihood of any serious competition with her rivals in this particular line within the next few years would therefore seem very doubtful.

The lack of cable connections with South America is one of the gravest disadvantages with which German commercial interests are now compelled to contend. It is likely to embarrass her just as the United States was hindered in her Brazilian trade or as Japanese commerce is hampered throughout South America. The German cable from Emden to Pernambuco by way of West Africa was laid in 1911 as part of Germany's South American trade program and until it is returned to Germany or an adequate wireless substitute is developed she will have commercial difficulties in the southern continent. This is probably one of the reasons why the number of wireless stations in Germany has increased from 27 in June 1919 to more than 60 by the summer of 1920. But the successful operation of wireless over such long distances in uninterrupted, heavy commercial traffic is yet to be demonstrated and its development will require some years of careful work especially with the South American stations.

Furthermore it is well to remember that the pre-war standing of the German banking system in South America will be modified by the loss of the very consid-

erable American business which it formerly handled. The establishment of over one hundred American branch banks in Latin America since 1913 relieves our exporters of the necessity of entrusting their commercial documents to the hands of agents and associates of their competitors.

Perhaps the most spectacular side of the German trade campaign in South America before the war was the development of chains of agencies which made a specialty of handling American business. Much of the so-called "German" trade was thus made up of American merchandise and a large part of the undeserved reputation of the Germans as the leading merchants in many important markets of South America was built upon a basis of disguised American trade. During the past six years a great deal has been done to enlighten and aid American exporters in the selection of their South American representatives. The number of American agencies and branches has been increasing at a surprising rate as is shown by the establishment of twelve or more American Chambers of Commerce south of the United States within the past two years. The German is therefore likely to find his services as overseas agent no longer as indispensable as they were before 1914.

A serious factor with reference to German commercial connections with South America is the world-wide readjustment of shipping routes for raw materials. As was indicated above, many such commodities from Latin America — for example quebracho, furs, skins, and drugs — which had previously been shipped to England and Germany for reexport are now sent direct to the United States. The markets in Germany for other South American materials have also been much altered since 1914 by the war-time development of the manufacture of aniline dyes, synthetic nitrate, and other chemical products. In fact that country has never been a great consumer of Latin American raw materials, excepting coffee and cacao, and the above

TABLE X. — GERMAN EXPORTS TO ARGENTINA, BRAZIL, AND CHILE
(Millions of dollars)

Leading commodities	TO ARGENTINA			TO BRAZIL			TO CHILE		
	1911	1912	1913	1911	1912	1913	1911	1912	1913
Malleable iron bars	1.5	1.5	2.3	.2	.3	.7	...	...	...
Cotton cloth	1.8	1.7	2.0	2.2	1.7	1.5	.9	.7	.6
Cotton stockings	1.3	1.0	1.9	...	...	...	...	...	...
Woolen cloth	1.3	1.4	1.8	...	...	...	1.2	1.1	1.0
Malleable iron wares	2.1	2.1	1.1	.4	.6	1.3	.2	2.1	.8
Railway rails	2.3	1.1	1.7	.3	.7	.8	.7	.5	.7
Electric cables	.8	.6	1.5	...	...	...	...	...	...
Locomotives and tenders	1.3	.3	1.5	...	...	...	...	...	...
Galvanized iron wire	1.7	1.1	1.5	...	...	...	...	...	...
Automobiles	.5	1.4	1.2	.6	1.5	.8	...	...	...
Small arms	...	...	...	.3	.8	1.8	...	...	...
Cement	...	...	...	.9	1.3	1.4	.5	.6	.7
Refined sugar	...	...	...	...	...	...	.8	.1	.6
Totals of all exports	60.8	56.9	63.2	36.1	45.8	47.5	20.3	26.6	23.2

noted changes coupled with the severely curtailed purchasing power of the mark will mean that for some years to come the valuable credit relations associated with importations from South America will not be available to German exporters.

Another weakness of Germany in commercial South America lies in the fact that, as compared with the United Kingdom or the United States, she has but a small amount of capital invested in those Latin American enterprises which directly influence the course of export trade, namely public utilities, mines, agricultural properties, and commercial houses. Previous to the war her total investments in the twenty Latin American republics did not exceed \$700,000,000 of which amount less than \$170,000,000 were invested in public utilities (over 70 per cent of this sum being in Argentina), \$200,000,000 in commercial establishments, \$33,000,000 in mines and agricultural properties, and the remainder largely in government bonds. The war measures of the Allied governments played havoc with the \$203,000,000 represented by the public utilities, mining, and agricultural holdings, so that today a good part of that sum has been wiped out. The Anglo-American black lists made some inroads upon the smaller commercial establishments but in the main the German trade organizations in Latin America do not seem to have been seriously damaged by the war. In fact the Allied blockade prevented the departure of German capital and personnel from South America and these elements were in many instances linked up with local enterprises, both private and public, and given a foothold of great value in the exploitation of war-born native industries in the southern republics.

Just at present the great advantage of low exchange rates on the mark is being capitalized to the limit by the Germans in the southern markets, especially in bidding for those government contracts in which prompt deliveries are not required. In this field they are causing some concern to American exporters of locomotives, supplies for port works, and construction materials. Contrary to general expectations they are not being seriously handicapped by the lack of German shipping facilities; Scandinavian bottoms are available in any desired quantities to assist them just as they were on hand in American ports before the war to carry our rapidly growing South American export trade. During the later months of 1920, German cargoes were arriving at River Plate ports in Scandinavian and Dutch ships at the rate of one or two a week. So far as supplies of merchandise are concerned the Germans are apparently resorting when necessary to Swedish, Danish, Swiss, and occasionally to American goods as stop-gaps to carry them through until their own industrial organization has been rehabilitated. They are more cautious regarding long credits than they were before the war and have evidently remembered the drastic lessons of the crisis of 1912-13 when many German houses lost heavily on long-time obligations. The much advertised, large-scale migration of German colonists to South America has not

yet appeared, though some groups of skilled artisans from the Catholic Rhenish provinces and from Bavaria have come over as part of a carefully planned, official campaign to link German enterprise and methods with the new South American industrial development, a move which American exporters would do well to watch.

Aside from the activities of these two European rivals there are no indications of serious competitive problems for American traders in South America. Japanese commerce and commercial possibilities in that region have been greatly overestimated. Announcements that Japanese exports to Latin America had increased 600 per cent during the war and that Japanese branch banks, investments, agricultural colonies, and steamships were appearing there, have caused some anxiety. But there is comfort for American merchants in the fact that the total Japanese export trade to the entire region south of the United States in 1919 was about \$12,000,000, or some millions less than the American exports to the republic of Haiti in that year. Furthermore, preliminary reports for 1920 indicate a decided falling off in the Japanese figures. The dangers of Japanese competition seem, then, to be insignificant especially in view of such obstacles to the Orientals as inadequate cable connections, excessive ocean freights (double those paid by American and British shippers because of the long, open-water hauls without ports of call), and the exportation of such goods as cheap cottons and silks, toys, and novelties which compete with European rather than American trade.

So far as the other minor competitors in this field are concerned it may be noted that Italy has, like the United Kingdom, shifted her interests for the time being, at least, from South America to Europe. In 1913 her two leading southern markets, Argentina and Brazil, took nearly 10 per cent of her total exports, whereas in 1919 their share was 3 per cent. The edible oils, rice, and textiles which she supplied before the war are now being furnished either by the United States or by Brazil, which has recently become an active competitor of ours in the River Plate trade. Canada is laying plans for the exploitation of the South American markets and has already made considerable headway through the assistance of her government agents, steamship lines, and the branches of the Royal Bank of Canada. Her total exports to South America in the fiscal year ending March 31, 1920 amounted to \$14,601,539, a relatively small figure, but unlike the trade of Japan that of Canada is growing very rapidly and since its chief items are automobiles, agricultural machinery, flour, newsprint, and lumber it will compete more directly with American commerce. It should be noted, however, that large amounts of American capital are invested in many Canadian factories involved in this traffic.

In conclusion two points stand out as of especial importance to American commercial interests regarding the competitive situation in South America. In the first place, some of our strongest export lines are likely to feel the effects of the new industrial developments in

each of the South American countries. Rightly or wrongly those republics are making every effort with tariffs, subsidies, and concessions to keep alive the diversified industries which came into existence during the war, and the success of their campaigns is already apparent in such lines as shoes, industrial chemicals, provisions, wearing apparel, coarse cottons, and even automobile bodies. This evolution will not necessarily mean a shrinkage in our total trade, but rather a readjustment of it along new lines. In Argentina alone the capital invested in such enterprises increased from 4,608,614,669 paper pesos (one peso equals \$0.4245 normally) in 1914 to 5,984,461,291 pesos in 1919. The significant feature of this gain is that the greater part of it was accomplished with native capital of which 669,000,000 pesos are included in the 1914 figures and nearly 2,000,000,000 in the 1919 total. A similar development upon a smaller scale has been going on not only in Brazil and Chile but also in each of the smaller republics. Far-sighted American merchants are already adjusting their export activities to meet the new situation either by changing the character of their shipments from finished

products to supplies, findings, and machinery, or by establishing branch factories and assembling plants in the larger South American capitals.

Finally it should be noted that present conditions emphasize more than ever the necessity for American exporters to think in terms of our importing capacity and possibilities. The more this fact is born in mind the more readily will they be able to meet their European rivals upon an equal basis. British, German, and other competitors have long since learned to watch conditions of local production in the various southern republics where seasonal trading is so vital a part of every carefully planned export campaign. Almost every successful European export organization undertakes to assist local industries and to provide markets and facilities for reexportation. The preëminence of London, Amsterdam and Hamburg in South American trade before the war was due very largely to the promotion of such two-way traffic, and the continued supremacy of the United States as an exporting nation in the South American trade will depend to a considerable extent upon the appreciation of this principle by American exporters.